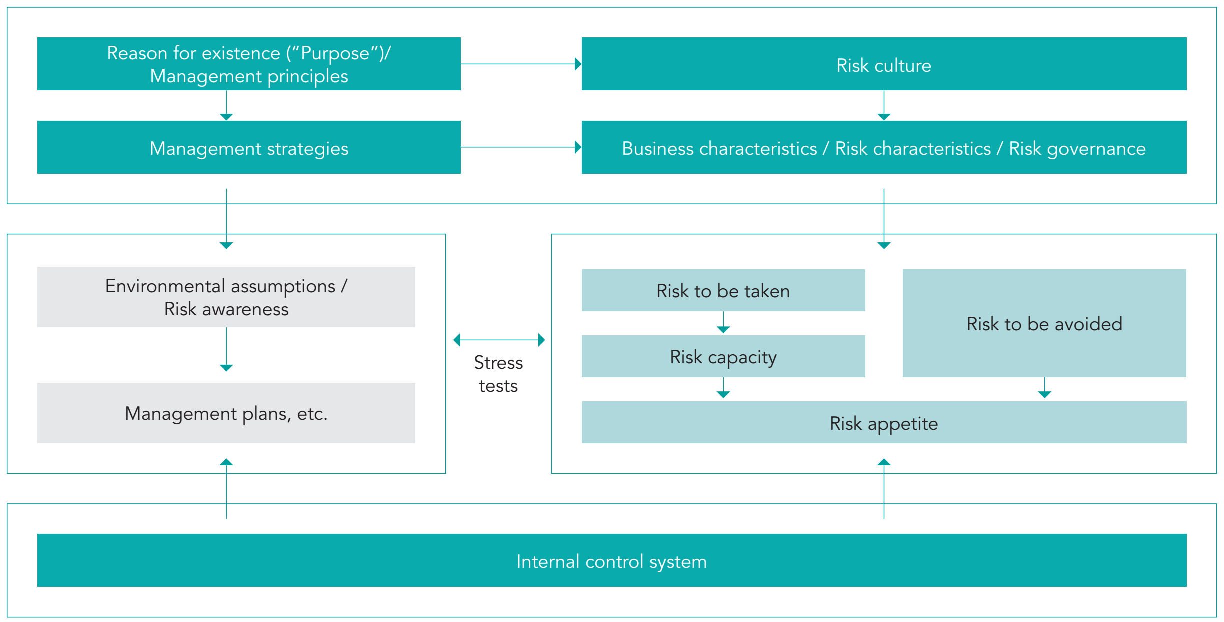
Risk Appetite Framework

1. Outline of the Risk Appetite Framework

The Risk Appetite Framework (RAF) is a group-wide corporate management framework consisting of the process for determining risk appetite (the type and amount of risk to be willingly taken to achieve the management plan) within the Group's risk capacity, in order to achieve management strategies formulated based on the Group's reason for existence ("Purpose") and management principles, together with an internal control system that monitors the process and ensures its appropriateness and sufficiency.

To improve profitability and enhance risk management, the Group's RAF establishes communication processes through the setting, propagation, and oversight of risk appetite and promotes the improvement of transparency in the decision-making process, the optimization of management resource allocation, and the strengthening of the monitoring system for the whole of risk-taking.

■Outline of the Risk Appetite Framework



2. Risk Appetite Controlling Process

(1) Determining Risk Appetite Target

The Group classifies risks into two categories: (1) risk to be taken (that occurs in relation to activities that generate returns) and (2) risk to be avoided (such as conduct risk that cannot be tolerated by the Group).

Under RAF, the Board of Directors establishes a risk-taking policy, which is an overriding management policy based on its management principles, and takes into account the results of stress tests to set risk appetite indicators. In addition, the Executive Committee sets more detail risk-taking policy and risk appetite indicators for each business within the scope of policy set by the Board of Directors.

The risk-taking policy and risk appetite indicators are determined in accordance with the management plan, and are reviewed at least once a year or when necessary.

(2) Monitoring of Risk Appetite Tolerance

In order to verify that risk taking is conducted appropriately based on its business model, the Group sets separate risk appetite indicators from the three perspectives of return, risk, and cost, and monitors them regularly. If the indicators deviate from the set levels, the Group analyzes the cause and implements countermeasures or reconsiders the levels of risk taking.

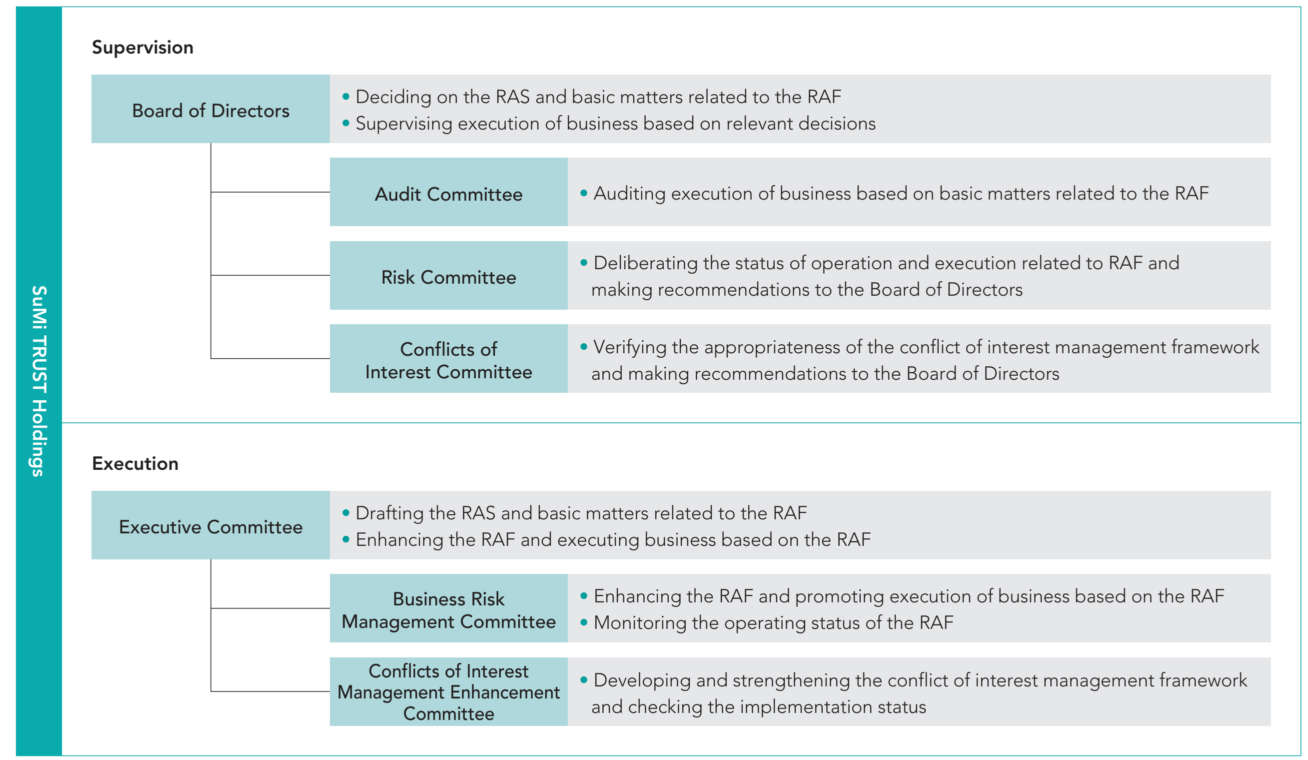
(3) Risk Governance

Risk governance, which forms a part of corporate governance, is a framework for identifying, measuring, managing, and controlling risks, as well as ensuring appropriate risk taking, by defining and monitoring risk appetite.

The Group promotes the enhancement of risk governance, with the aim of achieving the sustainable and solid development of the Group.

The Group is working on enhancing the operation of risk appetite through discussions at the Risk Committee and the Conflicts of Interest Committee, etc. as part of its initiatives to enhance corporate governance.

■Risk Appetite Framework Management System



3. Developing Positive Risk Culture

The Group defines risk culture as a basic philosophy that prescribes the codes, attitudes, and conduct of the Group, as well as its directors, officers and employees, that flexibly excute risk taking, risk management, and risk control based on an appropriate assessment of risks, guided by a high degree of self-discipline based on the fiduciary spirit.

In order to foster a risk culture so that it will take root across the Group, we define risk-taking policies for each business when formulating its management plan, and encourage appropriate risk-taking by all officers and employees. In this way, the Group aims to build sustainable business models that contribute to increasing corporate and stakeholder value. In addition, we have formulated a Risk Appetite Statement (RAS) clearly stating our RAF, which is used as a common language in lively discussions concerning risk appetite within the Group.